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## CORRESPONDENCE.

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### ECONOMIC THOUGHT IN RUSSIA.

CHARKOV, September, 1887.

LITTLE is to be said about the state of economic literature in Russia. Our economic literature is neither old nor is there much of it. It has had a real existence only within the last thirty years. It is true that economic works were published before, but very rarely. By way of proof, some significant figures may be mentioned. Between 1806 and 1856, no more than 1,500 economic publications appeared: whereas, in the period from 1856 to 1879, the number was 4,500. That is, in the course of half a century there were but one-third as many publications as in the five-and-twenty years following, the production per year being thirty against one hundred and forty. In the earlier period of half a century, the well-known treatises of Adam Smith, Say, and Blanqui were translated into Russian. Only a single treatise of this period can be said to show originality, and to be of some importance,—Butowsky's *On the Wealth of Nations* (1849). Its importance, however, lies only in the fact that it covers the whole field of economics; and it is original only in the sense of not being a translation. The author studied the literature of foreign countries, and presented the results of his studies in Russian.

The state of Russia during this period was such that no literature could well arise. The censorship during the thirty years' reign of Nicholas smothered all thought. State and society were in a condition of stagnation, and there was no stimulus to scientific thought. Literary capacity was rare, and culture was confined to a few hundred high officials.

The year 1856, after the Crimean War, was a turning-point. The war had brought the conviction that the old system of government was untenable. Reform began. The serfs were emancipated, railroads were built, a large number of credit

institutions were created, local self-government was established in cities and provinces. Economic training was required for these measures, and a demand for the study of political economy set in. Political economy became the fashion. The newspapers of that date are full of articles on economic subjects, and a periodical, the *Economist*, was established for their special treatment. But the foundations of economic science did not exist. There were no text-books, and the supply of all kinds of economic literature was deficient. It was of course impossible to write text-books at once; and translations of German, French, and English works were resorted to. The well-known treatises of Roscher, Thünen, Garnier, Ricardo, Mill, McLeod, Carey, appeared in Russian, with more or less of editing and modification. This translated literature maintains itself to our day. Valuable publications appear in foreign countries; and so, for example, we have had recent translations of Cossa's Italian text-book and of the second volume of Marx's *Capital*. But the period of translations has passed; and the most important part is now played, not by translations, but by works written in Russian. Foreign works can teach us only economic principles. We have studied them and learned something from them; but Russian society has its own problems, imperatively demanding solution. These problems have found consideration in the Russian text-books,—the land problem, for instance, the problem of clearing off the dues of the peasantry, and others. In the earlier period there was but one treatise of this kind,—*Principles of Political Economy*, published in 1862 by Gorlov, at that time professor at the University of Petersburg. Other treatises, by Hodskey, Ivanykov, Werden, and Antonovitch, are of very recent date, between 1880 and 1887. All are more or less successful compilations, and all are much influenced by German models.

Our monographic literature deserves more attention. Some monographs are thoroughly independent investigations, and may be compared with the best of similar foreign works. But this is, of course, not the case with the majority; and the average is mediocre. The average quality is certainly below the average, for instance, of German literature. The thoroughness of the Germans is not to be found. The Russian is more super-

ficial, less serious: in this respect, he is rather like the Frenchman. But he is also like the Frenchman in another less unfavorable point. His presentation is clearer than that of the German, his style more simple and less involved. Doubtless, the character of the Russian language has its effect. Its construction is more pliable and permits greater variety than is the case with the German language, with its stiff professorial style. Our language has more resemblance to French and English. Still another peculiarity of Russian literature is this: English, French, and German writers, as a rule, are familiar only with the literature of their own country. Russian authors are more cosmopolitan. German, French, English, and in recent times not unfrequently Italian, works are regarded. Nevertheless and for all that, the average quality is not particularly high. Some monographs come from the pens of youthful writers, and, as might be expected, carry the stamp of their authorship. They are, in the main, dissertations written in order to obtain a degree, and occasionally are patchwork pure and simple.

Finally, we may note the difference between the old and the new *modus scribendi*. In former times, the would-be writer collected a few shelves full of books, read them, and wrote a monograph. A new book was done and ready in the course of a few months. If the writer was empty-headed, an eleventh book was simply added to the other ten. If he was a man of capacity, he enriched the literary supply with a new compilation, but, after all, only a new compilation from the same material. Nowadays, the task is more complicated and difficult, and more is demanded of a monograph. Quite a different procedure has become the fashion. The modern author must collect his material himself, at the place where it lies. He must often make wearisome and expensive journeys; he must search through the large libraries and archives of Berlin, Vienna, Rome, Paris, before he can produce a thorough piece of work. Time and money must be expended. If he has skill in working over his material, the result is good. If he has not such skill, the result is neither good nor bad, but something at least is gained in the shape of the new material. Another writer will not fail to appear, who will be able to make better use of it. This laborious procedure is not necessary for the treatment

of all subjects. Abstract investigations do not demand it; but economic monographs, treating abstract questions of theory, are in the minority, and appear very rarely. In recent years, but one important work of this kind has been published, Siber's *Ricardo and Marx* (1885). Most monographs treat of concrete subjects, and studies of this character prevail largely in the most recent Russian literature.

The majority of our economic works have a practical origin. They owe their existence to the immediate and urgent needs of our social conditions, which have stimulated thought, or at least are closely connected with recent investigations.

The first in order of the questions presented by our social conditions — a question which in its time attracted not a little attention, and made not a little bad blood — was that relating to the peasantry and the land. The emancipation of the serfs in 1861 brought with it the need of regulating the proprietary rights of the peasantry. But almost all peasant proprietorship was and still is ownership by the commune. The question arose whether the government should promote this system of ownership. Some were of the opinion that the commune should be split up, in order to improve agriculture. This opinion aroused great opposition on the part of the Old Russian party, which considered the peasants' commune a sacred thing. The question is a most complicated one, and cannot be answered in a word. Not until recent years has the conviction been reached that the commune must be retained, in order to insure to the peasants their ownership in the land, and this even though it is seen that such a system hampers the progress of agriculture. At present, our literature has hardly any opponents of the communal system. Thirty years ago, however, we were still much in the dark. The government was undecided. The law recognizes both kinds of ownership, communal and individual; and neither is promoted or hampered. Prince Vassilchikov, Messrs. Kavalin and Posnikov (I mention only the most prominent), have done much to clear up this question, and have done excellent service by their extensive monographs on it.\*

\* On the emancipation of the serfs in Russia, we have two comprehensive treatises, by Skrebitzky and Ivanykov.

The next problem was that of agricultural credit on long time. It was supposed that the landed proprietor would need money. The serfs were free; and, in future, workmen would have to be hired. Moreover, many would find it necessary to buy agricultural implements. Hitherto, they had had none, their fields having been tilled by the serfs, with tools belonging to the serfs. Besides, the character of agriculture would undergo a reform; and machines would have to be substituted for manual labor. All this was going to cost money. But at that time there existed none but government banks, whose organization was quite irrational. They made loans for periods of fifty-six years, while their means consisted of deposits payable on demand. They were able to maintain themselves only through the government and by aid from government funds. It was perceived that they were untenable, and it was determined to wind them up. Attention had to be paid to private banks, which, however, had first to be created. At that time, few persons in Russia had any conception of private banking. The first treatise on private banks appeared just at this time, a monograph by the academician Besobrasov, on mortgages, in which different European establishments making loans on long time were described. The old government banks were wound up, and about twenty new joint-stock banks and credit associations were gradually founded. Very rosy ideas of the effect of credit were then entertained by Besobrasov, as well as by others. But one side of the matter was looked at,—the advantages which credit would bring. But an experience of thirty years has now shown that there are two sides to the matter, as there are to most things of this world. Now we know that credit helps only the thorough and careful farmer, but brings ruin to him who is careless and stupid. The landed proprietors now cry out that the banks have plucked them, and made high dividends at the expense of the land-owners; that credit has obliterated the distinction between real and personal property, and taken the land out of the hands of the old nobility and put it into the hands of strangers. A consideration of this disadvantageous side of credit was undertaken by Mr. Hodsky, who published some years ago a thorough treatise on *Agricultural Credit in Russia*. This work rests

mainly on the well-known investigations, in the same field, of the German economist, Rodbertus. The nobility, which is all-powerful in Russia, has been successful within two years in securing of the government the establishment of an exclusive bank for the nobility. It is the object of this institution, which is founded by the government, and belongs to the crown, to compete with the private banks, and to assume, at a low rate of interest, the loans formerly contracted with these banks. It operates by means of mortgages. Its transactions as yet have had no considerable results.

The third great task arose again in consequence of the emancipation of the serfs. The lands of the peasants, which had been in their possession from remote times, but in law had been the property of the gentry, now became private property of the peasants. In order to pay for them, the peasantry were required to pay to the government in the course of forty-nine years the assessed value of each plot. The government on its part used the money so obtained in order to pay the interest and principal of the securities which were given to the land-owners in exchange for their previous possessions. The peasantry, of course, have also to pay various other taxes. Well, it is asserted that their burdens are by no means light. Whether or not this be the case, the fact cannot be disputed that the peasant is often in need of money, that he must pay high rates of interest to get it, and consequently falls into the hands of the usurer. It was endeavored to meet this evil by founding small co-operative credit associations on the model of the Raiffeisen associations in the Rhine provinces, and of the Schulze-Delitzsch associations of Germany in general. Messrs. Luginin, Jakovlev, and Kalypanov have done much in this respect by pamphlets, model statutes, and circulars of information, which they have published at low rates.

Misfortunes never come singly, and no sooner had it become certain that there was a grave question of credit for the peasantry than another difficulty appeared. In many villages, the plots which had been received by the emancipated serfs proved to be too small to support their families. In 1877, Mr. Janson, professor at the University of Petersburg, made a minute statistical investigation of this question, and proved in figures

the insufficiency of the plots received by the peasants. The government had again to step in, and again by means of credit. Two years ago, a government Peasants' Bank was established. If a peasant wishes to buy a plot of land, this bank advances him the money for the purpose, of which principal and interest are to be repaid by an annual payment of six per cent. through twenty-four years. The same privilege exists for communes and for associations of peasants for the purpose of buying land. The bank secures its funds by selling mortgages founded on these transactions and guaranteed by itself. Closely connected with the insufficiency of the peasant's plot of land is the question of his extra earnings. If his plot did not yield enough to support his family, how is he to fight his way? Answer: by various extra earnings as factory workman, as village mechanic, as day laborer. His chief resource is agricultural labor. The peasants of Middle and Northern Russia, where the land is sterile, swarm in spring to Southern Russia, where they work as agricultural laborers on the steppes. For this purpose, and for other purposes where collective work is to be done, they form associations (*artels*). Madame Jefimenko has earned a name in literature by a number of articles in periodicals devoted to this question. Mr. Issajev, professor at the Law School of Jaroslav, has also published a monograph on *artels*, which followed an earlier work on laborers' associations in France and Germany.

Russia's fourth plague is the inconvertible paper money. This currency has existed in Russia since the last century. The Empress Catherine II. introduced it; and, since that time, it has not been possible to root it out. During the great Napoleonic wars at the beginning of this century, the total issue reached 836,000,000 roubles. Their value sank to 42 per cent., then rose to 66 per cent. At the latter rate, the government redeemed them in 1839; and a remainder of 178,000,000 roubles was made convertible into coin. But this state of things lasted only to the time of the Crimean War. In 1854, specie payments were again suspended, and have not yet been resumed. The military expenses increased portentously; and the government turned to the good old



resource, the printing-press, as it had done in the time of Napoleon. The last war with Turkey increased the total paper issues to more than a milliard. That is the present situation. The paper stands at about eighty per cent. as compared with gold. It presents a most difficult task. In order to diminish the quantity of paper money, a new loan would have to be contracted; and the interest, of course, would bring another burden on a budget which already, without this new obligation, struggles with a permanent deficit.

To this objective difficulty, a subjective one must be added. We have our inflationists, as other countries have had them; and, as ill luck would have it, the late influential editor of the Moscow *Gazette*, Katkov, was the head inflationist.† He even succeeded in finding a few favor-carrying economists, who worked over his articles and advocated his notions. Mr. Katkov, however, had such influence in Petersburg that he could drive from office any minister who refused to follow his advice. Mr. Kaufmann was the first who published a considerable treatise in Russia on inconvertible paper money. He chose as his subject the period of the suspension of specie payments in England, which he treated from the original sources,—the Parliamentary documents and proceedings,—and from which he proved the nature and effect of paper money. Subsequently, he wrote pamphlets on the resumption of specie payments in Russia. Mr. Bunge, professor at the University of Kiev, and subsequently minister of finance, has published pamphlets on the same subject.

Russia is an agricultural country. Its manufactures are little developed. Many cities have the look of the country, and the main occupation of their inhabitants is still agricultural. Good or bad crops are the important factors for the prosperity of the country. But the grain must find a market. In recent years, this market has been beset with formidable competitors. Fifty years ago, Russia and Hungary provisioned all the rest of Europe. About ten years ago, American grain began to compete with Russian grain, and with no small success. Then came the importation from Australia,

\*[The reader will observe that the present letter is dated some weeks before the death of Katkov.]

and very recently that from India. This competition has caused no little trouble to the Russian grain-grower, and has even induced the government to take some measures. The minister of finance ordered Mr. Orbinsky to proceed to America, to study on the spot the agriculture and the grain trade of the United States. The result of this journey was an interesting and comprehensive book, entitled *The Grain Trade of the United States* (1880). Even before this, the Geographical Society of Petersburg had published a large encyclopedic work, consisting of a number of monographs. The society had requested experts in all the more important centres of the grain trade in Russia to write the results of their observations and to collect statistical material, and the work referred to was the result of these investigations.

Forty years ago, we had not a single railroad. At present there are about twenty-three. Again, it was the Crimean War which proved that it was almost impossible to defend the country without means of transportation. But the railroads have cost much money and a great deal of trouble. The first road was built and managed by the government, and both construction and management proved very expensive. It was then decided to intrust the building of railroads to joint-stock companies. But the condition of the money market in Russia at that time made it impossible to secure the necessary capital on this plan. The joint-stock method was almost unknown in Russia, railroads were new enterprises, and capital was timid. A French company then offered its services. It has built two lines, but has failed to carry out the great plan of providing all Russia with trunk lines. Nevertheless, the company was of service to the country; for it proved to the Russian capitalists, by an object lesson, that railroads are profitable. The Russian capitalists then became enterprising, and were by no means inclined to leave this chance for dividends to remain in the hands of the foreigners. Nevertheless, the greater part of the capital invested in our railroads is still derived from abroad, railway securities finding their chief market in Germany. The history of railway building, during the thirty years which have followed, is a history of vacillating policy by the government. It gives a significant picture of

the hand-to-mouth administration at Petersburg, with its favoritism and its bureaucratic methods. At the outset, the minister of transportation was authorized to select, at his discretion, an *entrepreneur*, who took it on himself to found a stock company. It may be imagined what abuses were connected with this order, or rather disorder, of affairs. Next, public bids were resorted to; but the minister still had the right to set aside the lowest bidder and to select another, under pretext that the latter gave better security for doing the work thoroughly. Again, a pretty system! At last, the government patched up a new plan. The individual *entrepreneur* was decided to be unnecessary, and the government itself forms the company and sells the stock. The stockholders have a general meeting under the superintendence of a government official, and elect directors. Experience shows that the railway magnates buy up the stock through straw-bidders, and get the enterprise into their hands exactly as in old times. Mr. Golovatschov has written a very interesting history of the railway troubles. Mr. Zechanovetzky, at that time professor at the University of Kiev, wrote a history of the English railroad experience, based on the Parliamentary documents. The most important work, however, is one which embraces the whole subject of railroad transportation, written by Mr. Tschugrov, professor at the University of Moscow.

At the present time, we have more than two hundred and ten large joint-stock banks, as many credit associations, and about three hundred smaller city banks. All give commercial credit on short time. Matters have not always been in this condition. As has already been said, time was, especially before the Crimean War, when agricultural credit was granted only by the government banks. The same was the case with commercial credit. At that time there existed but a single important bank of this kind at Petersburg, with a few branches in the larger provincial cities. This single institution, which now has been re-formed and has been enlarged by the addition of fifty branches, belonged to the government. In the provinces there were no more than twenty smaller city banks. Credit hardly existed in Russia, and the nature of credit was not understood. The whole literature on the sub-

ject consisted of two translations of the well-known works of Coquelin and Courcelle-Seneuil. Messrs. Bunge and Besobrasov, whose names have already been mentioned, were the first to treat the theory of credit in Russian; but the first work which treated the entire subject of credit was written again by Mr. Kaufmann. The same author published subsequently a history of the old Italian banks.

In closing, two remarks must be made, lest a false impression be given of the condition of our economic literature. In the first place, this letter has mentioned only the more important publications, and has not considered articles in periodicals. In the second place, the literature of finance, although it doubtless belongs in the field of political economy, has not been considered at all.

H.